

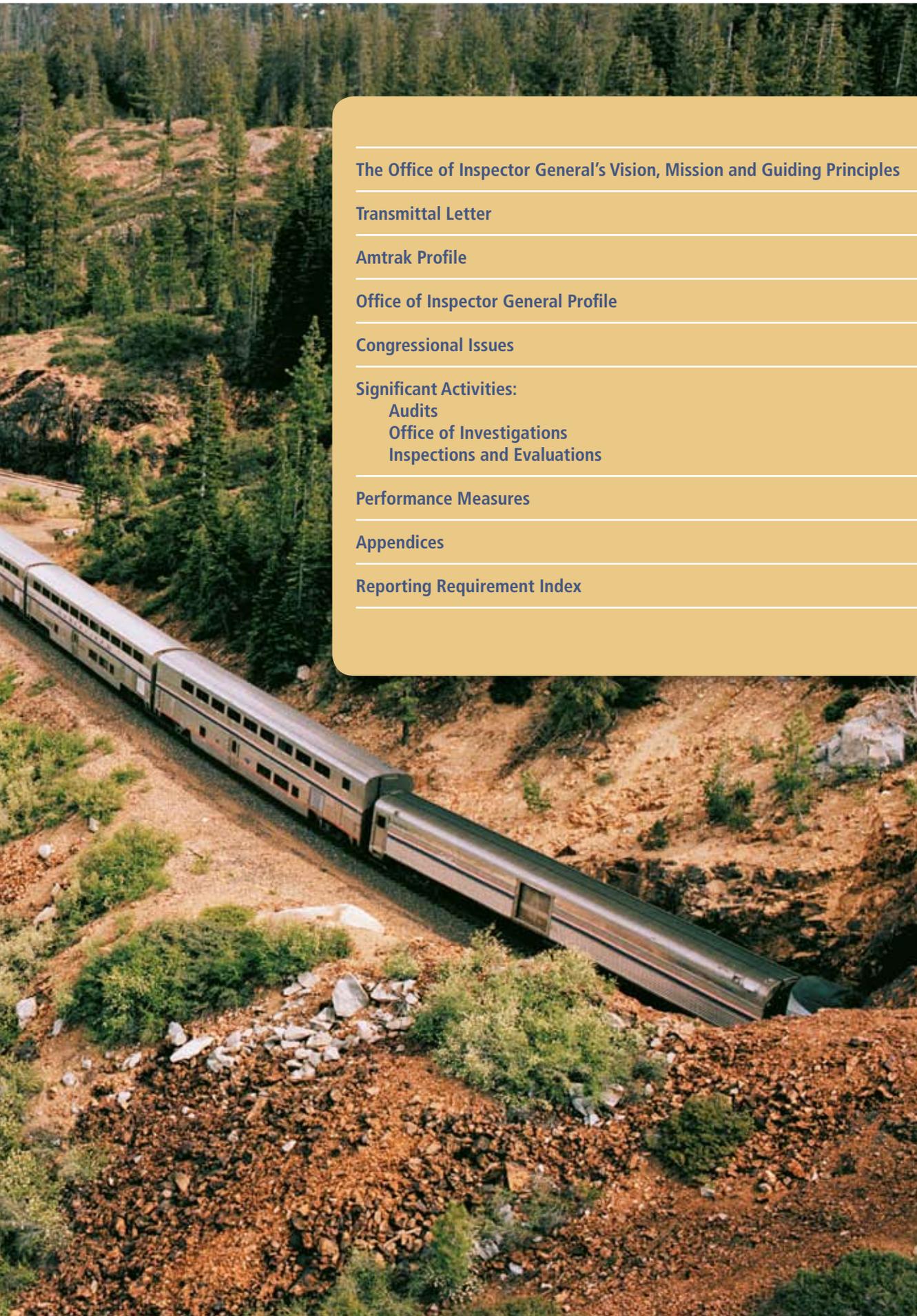


## Semiannual Report to Congress

4/01/09 - 9/30/09







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## The OIG Vision

*The Office of Inspector General (OIG) strives to provide Amtrak's employees, its customers, the public, and the Congress with the highest quality service and programs through vigilance, timely action, accuracy, and an overall commitment to excellence across the broad range of OIG responsibilities.*

## The OIG Mission

*The OIG will conduct and supervise independent and objective audits, inspections, evaluations, and investigations relating to agency programs and operations; promote economy, effectiveness and efficiency within the agency; prevent and detect fraud, waste, and abuse in agency programs and operations; review security and safety policies and programs, and, review and make recommendations regarding existing and proposed legislation and regulations relating to Amtrak's programs and operations.*

## The Inspector General's Guiding Principles

*Amtrak's Office of Inspector General (OIG) will:*

- ★ *Work with Amtrak's chairman, the board of directors, and the Congress to improve program management.*
- ★ *Maximize the positive impact and ensure the independence and objectivity of the OIG audits, investigations, inspections, and evaluations, and other reviews.*
- ★ *Use OIG audits, investigations, inspections, and evaluation, and other reviews to improve integrity and recommend changes to prevent fraud, waste and abuse.*
- ★ *Be innovative and question existing procedures and suggest improvements.*
- ★ *Build relationships with program managers based on a shared commitment to improving program operations and effectiveness.*
- ★ *Strive to improve the quality and efficacy of reports and recommendations.*



September 30, 2009  
Honorable Thomas Carper  
Chairman  
Amtrak Board of Directors

Dear Mr. Chairman:

On behalf of the Amtrak Office of Inspector General (OIG), I am pleased to present this Semiannual Report to Congress. The OIG Report highlights significant audits, evaluations, and investigations for the six-month period ending March 31, 2009.

It is the OIG's responsibility to assist the Board and management in making improvements in Amtrak's core business operations which will improve the safety, reliability, and effectiveness of Amtrak services to the traveling public. The current semiannual report identifies some of the recent recommendations that the OIG has made which have resulted in cost savings, improved management policies and procedures, improved revenues, less cost, and more efficient and effective business processes.

In executing its FY 2009 audit plans, the OIG continued its reviews of Amtrak's procurement operations, payments and billings to vendors providing services to Amtrak, and the associated internal controls for physical inventory. I would like to call your attention to two of the areas from the Audit group. Audits documented:

- \$102,602,866 in billable retroactive labor costs that were incurred for Amtrak labor performing reimbursable services for commuter services, state supported trains (403b) and various other individual and corporation force account projects.
- Substantial savings or questions costs concerning the Thames River Project of \$193,306.

OIG investigators and special agents opened 85 new cases and closed 84 cases during the reporting period; 331 investigations remain active as of September 30.

The OIG obtained four criminal indictments, and five criminal convictions/pleas; 20 other cases are pending prosecutorial review. As you will see in the detailed reports, the casework continues to reflect the need for Amtrak to protect better its passenger revenues, and the OIG is working with management to improve controls over the \$1.4 billion revenue stream.

The OIG Inspections and Evaluations group is continuing to facilitate numerous initiatives to improve the reliability and availability of Amtrak's rolling stock (passenger cars and locomotives). I would especially call your attention to the OIG initiated company-wide evaluation of how Amtrak manages its human capital. The team evaluated how well Amtrak identifies its manpower needs and then recruits, hires, develops and retains the individuals with the skills needed to accomplish Amtrak's mission and strategic goals. The resulting report suggests that if the OIG recommendations are implemented a potential savings of between \$23 million and \$50 million could be realized.

While continuing to conduct its normal oversight of Amtrak's programs and operations for this Fiscal Year, the OIG, like Amtrak, has had to rapidly make new plans to accommodate Amtrak's inclusion in the American Recovery and Investment Act of 2009 (ARRA). Under ARRA, Amtrak will be receiving almost \$1.3 billion over the next two years to initiate and accelerate work on the railroad, which will create jobs and further the statutory goals and objectives of intercity passenger rail services. The OIG has been provided \$5 million to oversee the stimulus spending and to report independently on compliance with the goals of ARRA.

As the OIG has previously written, ARRA represents a significant opportunity for Amtrak to accelerate capital work in a number of key areas, including badly needed investments in track, bridges, facilities, and passenger cars and locomotives. Amtrak's current plans are to spend about 66 percent of stimulus dollars on infrastructure and engineering projects, 15 percent on security and life-safety projects, 11 percent on Amtrak's fleet, and the balance on information technology, finance, and other support functions. The OIG will work to ensure that Amtrak uses stimulus funds in a way which complies fully with the transparency and accountability requirements of the Recovery Act and which furthers the Board's policy directives to improve Amtrak's programs and operations.

Since the announcement Amtrak was to receive \$1.3 billion in stimulus funds and an additional \$5 million for the Office of Inspector General, the OIG has hired a new Assistant Inspector General in charge of ARRA oversight and reporting. Additional auditors have been hired in some cities and a few more positions are anticipated as Amtrak's projects are completed. The office has until September 30, 2013 to finish its work under the ARRA act.

Amtrak has embarked upon more than 250 projects all designed to speed Amtrak in to the future by implementing new computer systems, upgrading infrastructure, such as bridges, tunnels, stations and tracks and modernizing its equipment by overhauling and refurbishing existing locomotive and passenger cars. The OIG has completed a review of the criteria used by Amtrak for justification of these projects. The OIG will continue to monitor the projects through completion to ensure they comply with the grant provisions.

Given the considerable challenges and opportunities that have been presented to Amtrak over the past several months, it is important that the OIG have a productive and effective working relationship with the Board of Directors. We will work closely with you and the Board to ensure that the Office can accomplish its statutory mission consistent with the best practices prevalent in the OIG community and in a way which contributes to safer, more reliable, and more cost effective services for the traveling public.

Respectfully,



Lorraine Green  
Interim Inspector General

## Amtrak Profile

**T**he National Railroad Passenger Corporation, "Amtrak," is incorporated under the District of Columbia Business Corporation Act (D.C. Code § 29-301 et seq.) in accordance with the provisions of the Rail Passenger Service Act of 1970 (Public Law 91-518). Under the provisions of the Passenger Rail Investment and Improvement Act of 2008 (Public Law 110-432; 49 U.S.C. § 24302), Amtrak's Board of Directors reorganized and expanded to nine members.

The company is operated and managed as a for-profit corporation providing intercity rail passenger transportation as its principal business. Congress created Amtrak in 1970 to take over, and independently operate, the nation's intercity rail passenger services. Prior to this America's private freight companies ran passenger rail as required by Federal law. Those companies reported they had operated their passenger rail services without profit for a decade or more. With this in mind, when Amtrak began service on May 1, 1971, more than half of the rail passenger routes then operated by the freight railroad companies were eliminated.

During fiscal year (FY) 2009 Amtrak carried approximately 27.2 million passengers on up to 315 daily intercity trains on more than 21,100 route miles serving 513 communities in 46 states, the District of Columbia, and three Canadian provinces.

In terms of market-share, Amtrak serves 63 percent of the combined airline-intercity rail market between Washington, D.C., and New York City. More than 800,000 people commute every weekday on Amtrak infrastructure or on Amtrak-operated commuter trains around the country under contracts with state and regional commuter authorities. Amtrak employs about 18,400 persons, of whom about 16,000 are agreement covered employees. These employees work in on-board services, maintenance of way, police, station and reservations services, and other support areas.

While ridership in the Northeast Corridor on Acela Express and Northeast Regional services did not keep pace with last year, several short-distance routes did achieve new highs, including the Chicago-St. Louis corridor (up 6 percent), the Harrisburg-Philadelphia-New York Keystone Service (up 2.7 percent), the Raleigh-Charlotte Piedmont (up 3.8 percent) and the Washington-St. Albans Vermonter (up 1.9 percent). Elsewhere on the Amtrak national network, the Los Angeles-Seattle Coast Starlight ridership was up 22.3 percent from the previous fiscal year, recovering from a 15-week service disruption in 2008 that closed a portion of the route in northern California.

Other long distance trains that posted gains in FY 2009 versus FY 2008 include the Los Angeles-New Orleans Sunset Limited route (up 9.8 percent), the San Antonio-Chicago Texas Eagle (up 3.6 percent) and the New York-Miami Silver Meteor (up 3.4 percent) and Silver Star (up 1.1 percent). While other segments posted declines, the 15 long distance trains as a group experienced an increase (up 0.7 percent), highlighting their role in many cases as essential public transportation and reflecting improved on-time performance in most instances.

Amtrak owns the right-of-way of more than 363 route miles in the Northeast Corridor (NEC; including Washington, DC-New York City-Boston, Philadelphia-Harrisburg, and New Haven, CT-Springfield, MA) and 97 miles in Michigan. Amtrak owns 105 station facilities, and is responsible for the upkeep and maintenance of an additional 181 station facilities and 411 platforms. Amtrak owns 17 tunnels and 1,186 bridges.

Amtrak owns most of the maintenance and repair facilities for its fleet of about 2,600 cars and locomotives. Outside the NEC, Amtrak contracts with freight railroads for the right to operate over their tracks. The host freight railroads are responsible for the condition of their tracks and for the coordination of all railroad traffic.



**A** mtrak's Office of Inspector General (OIG) was established as a statutory entity on April 1, 1989, in accordance with the 1988 amendments (P.L. 100-504) to the Inspector General Act of 1978 (P.L. 95-452; 5 U.S.C. Appendix 3). The OIG is an independent and objective entity within Amtrak whose mission is to detect fraud, waste, and misconduct involving Amtrak's programs and personnel; to promote economy and efficiency in Amtrak operations; and, to keep Congress and the Amtrak Board of Directors fully informed about problems and deficiencies, and the necessity for, and progress of, corrective action.

The OIG investigates allegations of violations of criminal and civil law, regulations, and ethical standards arising from the conduct of Amtrak employees in performing their work. The OIG audits, investigates, inspects, and evaluates Amtrak operations, policies, and procedures, and assists management in promoting integrity, economy, efficiency, and effectiveness.

Amtrak's Office of Inspector General is led by the interim inspector general, Lorraine Green. The OIG consists of four groups: Audits; Investigations; Inspections and Evaluations; and, Management and Policy. Audits is headed by Gary E. Glowacki; Inspections and Evaluations is headed by Calvin Evans; Investigations, and legal counsel, is headed by Colin Carriere; and, Management and Policy is headed by Bret Coulson. The OIG has field offices in Washington, DC, Baltimore, Wilmington, Philadelphia, New York, Boston, Chicago, and Los Angeles.

## **Audits:**

Audits is responsible for conducting independent reviews of Amtrak's internal controls and recommending improvements to better safeguard its assets; testing the reliability of financial reporting and providing accounting counsel over company operations; reviewing information technology programs and information security; reviewing procurements and material acquisitions for appropriateness of cost, pricing, and compliance with applicable grant and/or contract terms and conditions; and, monitoring compliance with laws and regulations.

## **Investigations and Legal Counsel:**

Investigations is responsible for investigating various types of fraud and abuse particularly allegations of financial wrongdoings, kickbacks, construction irregularities, bribery, and false claims; performing reviews of Amtrak's safety and security programs; recommending to the company better internal controls to prevent fraud and abuse; and, reporting violations of law to the Attorney General and prosecutors. The group is charged with reviewing and safeguarding Amtrak's

cash and credit card purchases for transportation and food services on board Amtrak trains.

Legal Counsel is responsible for providing legal assistance and advice to the Inspector General, Audits, Inspections and Evaluations, and Investigations. Counsel provides legal and investigatory directions to Investigations, coordinates with outside attorneys including local and federal agencies and law enforcement attorneys, and appears in court on behalf of the OIG and its employees.

## **Inspections and Evaluations:**

Inspections and Evaluations is a hybrid unit whose staff have specialized skills in engineering, safety, labor/employee relations, mechanical maintenance operations, strategic planning, and finance. This group conducts targeted inspections and evaluations of Amtrak programs, providing assistance to managers in their efforts to determine the feasibility of new initiatives and the effectiveness of existing operating methodologies.

The inspection and evaluations process they utilize, whether requested or mandated, consists of independent studies and analytical reviews that often serve as the cornerstone for strategies to improve cost efficiency and effectiveness, and the overall quality of service delivery throughout Amtrak.

## **Management and Policy:**

Management and Policy provides mission and administrative support services to the OIG by managing: budget formulation and execution; policy development; training, personnel security; dissemination of OIG information; human resources; and OIG facilities. Management and Policy ensures performance quality and compliance with current and emerging government regulations, directives, and mandates. The office is the primary liaison with the Government Accountability Office, and other government departments and agencies. Management and Policy has primary responsibility for Amtrak's security oversight; and, works closely with, and provides oversight on, the policy, programs, and procedures for Amtrak's Office of Security Strategy and Special Operations, and the Amtrak Police Department.



### Legislation and Regulations Reviewed

Section 4(a) of the Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations relating to Amtrak's programs and operations and to make recommendations concerning their impact. The OIG uses results from its audits, inspections and evaluations, investigations, and legislative experiences as the basis for its recommendations to Congress. During the reporting period, the OIG reviewed legislation, regulations, policy, and procedures that could affect Amtrak and provided comments both internally within, and to, the relevant Congressional committees and staff.

During the semiannual reporting period, the OIG conducted oversight of Amtrak's American Recovery and Reinvestment Act of 2009 (ARRA) activities and expenditures. As required by ARRA, the OIG has filed monthly reports of the OIG's ARRA financial expenditures and oversight activity with [www.Recovery.gov](http://www.Recovery.gov), the website of the Recovery Accountability and Transparency Board.

The Inspector General Reform Act of 2008 established an independent budget submittal process for the OIG. The Chairman of the Amtrak Board of Directors submitted the OIG's Fiscal Year 2011 budget estimate and request to the Office of Management and Budget on September 14, 2009. The OIG's annual budget estimate and request are submitted to Congress as part of Amtrak's annual grant and legislative request.

The specific legislation reviewed is found in Appendix 5.

### Procurement and Material Management Issues

#### Consulting Services for the NEC/ACELA Improvement Program

**Audit Report 201-2008 – Issued 5/13/2009**

Amtrak issued Purchase Order S-046-72239 to Celerant Consulting Inc (Celerant) to perform consulting services for the NEC/ACELA Improvement Program totaling \$1,437,550. The purpose of the audit was to determine the accuracy and acceptability of the cost and pricing data shown on Celerant's cost proposal or other data submitted for use in verifying the weekly billing labor rate (\$11,000 per consultant week) for a sole source contract and their applicable travel expenses. The audit disclosed that the documentation provided by Celerant adequately supported the accuracy of the weekly billing labor rate and the travel expenses.

#### AmPlan Eligibility Review

**Audit Report 103-2009 – Issued 9/30/2009**

The OIG audited the health and welfare benefits enrollment process for its agreement-covered employees. The audit objective was to determine whether eligible dependents of Amtrak employees are receiving health and welfare benefits and if adequate internal controls are in place to ensure accuracy and to detect and prevent unnecessary expenditures by Amtrak for ineligible dependents.

The OIG found that Amtrak's employees' dependents are not verified to ensure eligibility for the health and welfare benefits. The OIG discovered that United Healthcare, Amtrak's third party administrator (TPA), does not require proof of student status for dependent children, identified as, full-time college students, between the ages of 10 and 25. United Healthcare only requires verbal acknowledgement from the employee rather than the submission of actual proof of student's status. Amtrak's policy states: "A dependent child that is a full-time student needs proof of student status and this must be provided to the TPA each semester to continue healthcare coverage." Due to the severity of the deficiencies found in Amtrak's Human Resources verification and dependent eligibility process, the OIG issued a quick reaction report to correct the internal control deficiencies.

#### *Management Response:*

Management agreed the verification of dependent eligibility process will be developed and implemented.

#### Food and Beverage Transition Review

*Inventory controls need to be improved*

**Audit Report 202-2009 – Issued 6/17/2009**

The OIG performed a review of Amtrak Food and Beverage inventory transition from Gate Gourmet, Inc. (GGI) to Aramark, Inc. The OIG primary objective was to observe the physical inventory transition from GGI to Aramark, which took place between November 30, 2008 through December 21, 2008. The OIG observed the transition of inventories from GGI to Aramark for Amtrak's main commissaries which are located in Boston, New York, Washington, Sanford, Miami, New Orleans, Chicago, Oakland, Los Angeles, and Seattle.

The audit disclosed that the inventories were conducted in accordance with management instructions. Based on the results of the reconciliation of the EATEC Physical Inventory Quantity on Hand (QOH) Before and After reports, the OIG determined that all 10 commissaries visited had high gross variances, with Chicago having the highest gross variance - 216.24 percent.

The OIG noted that some of the items on the QOH Before report had negative counts and negative total dollar values, and after GGI adjustments, the inventory values were positive. The high gross variances are largely attributable to the lack of accurate inventory accounting from trains stripped rather than an actual loss of goods.

Additionally, the Managed Services Provider was still was taking an inordinate amount of time to finish the inventory reconciliation. This practice allows the Managed Services Provider too much time to arbitrarily adjust shrinkage differences. Amtrak Managers of Contract Food and Beverage should be required to have more of a presence when the inventory process begins and ends.

#### *Management Response:*

Management agreed and has begun implementation of the OIG recommendation.

### Accounting and Reporting Procedure Issues

#### Amtrak Safety Audit Program Review

*Reporting controls need improvement*

**Audit Report 218-2008 – Issued 9/29/2009**

The OIG review disclosed that Amtrak Management lacks an adequate reporting system to effectively identify the date each safety finding is actually corrected. Responsible Amtrak Officials (RAO) self-correct and report the remediation of safety audit findings to Safety Audit, and the Safety Audit Program does not require objective or follow-up verifications of the corrective actions reported. Instead, the Safety Audit Group relies on RAOs to notify

## Significant Activities: Audits

Safety Audit when and whether findings are corrected and available for closure. Potentially, corrective actions could be reported to Safety Audit and not actually implemented, or the actions taken could be insufficient to correct the findings.

### *Management Response:*

Management response was still pending at the end of this reporting period.

### Contract Audits

#### **Unbilled Reimbursable Retroactive Wages**

*\$102,602,866 not invoiced for reimbursable retroactive wage increases.*

#### **Audit Report 207-2008 – Issued 5/13/2009**

In January 2008, Amtrak signed labor agreements with 13 unions (23 agreements) which awarded pay increases retroactive from July 2002 through June 2008. The OIG formally notified Management that significant portions of the retroactive labor wages were incurred in performing reimbursable contracts. A number of these contracts contain specific provisions that allow Amtrak to invoice its customers for retroactive pay adjustments. Other contracts are based in whole or in part on reimbursable costs.

The audit documented \$102,602,866 in billable retroactive labor costs that were incurred for Amtrak labor performing reimbursable services for commuter services, state supported trains (403b) and various other individual and corporation force account projects. Of the total reimbursable labor costs, \$49,362,032 was incurred for force account projects, \$36,407,325 was incurred for commuter services, and \$16,833,509 was incurred for state supported trains. Amtrak has contractual rights concerning labor expenses which should be enforced. Moreover, Amtrak is prohibited by law from subsidizing "operating losses of commuter rail passenger or rail freight transportation" under 49 USC Section 24104(f) and Authorization of Appropriations statutes.

The OIG recommended that Management invoice the entire \$102.6 million retroactive wage amounts for labor costs incurred by Amtrak on behalf of its customers. OIG further recommended that the entire accounts receivable should be properly recorded, and any reductions in customer liability should be properly written off.

### *Management Response:*

Management response was still pending at the end of this reporting period.

#### **Chicago Lease Audit**

*Cost recovery of \$122,081; future savings for FY 2008 to FY 2011 is estimated to be \$247,955*

#### **Audit Report 105-2009 – Issued 3/30/2009**

The OIG performed an audit of the Amtrak lease for the property located at 525 W. Van Buren St., Chicago, Illinois (Chicago Property) and contracted with Lease Audit and Advisory Services, Inc. (LAAS) to perform specific services in connection with the audit. The objective of this audit was to determine whether Operating Expense Statements submitted to Amtrak are in compliance with the provisions of the Lease Agreement with the Landlord.

The audit required LAAS to perform the following services: an analysis to determine whether rental escalation statements are calculated correctly in accordance with provisions of lease agreement(s) between Amtrak and the landlord; identifying any rental overcharges billed by the landlord; assisting OIG in recovering any overcharges; negotiating any future rental payments; examining annual escalation billings to ensure that all expenses are being billed in accordance with the initial settlement; and, performing follow-up audits as necessary.

In its audit LAAS found that the Landlord for the Chicago Property was charging a management fee that was in excess of prevailing market conditions. The Landlord agreed to reduce the management fee to 3 percent for the period 2005 through 2007 resulting in a credit due Amtrak of \$179,531. Amtrak's share of the savings was \$122,081. The future savings for FY 2008 to FY 2011 is estimated to be \$247,955.

The OIG recommend that the overpayments should be recovered from the Landlord. And, the OIG recommend Amtrak Real Estate Development revisit its review procedures for monitoring Amtrak property leases and ensure they address compliance with the lease requirements and consistency with industry standards.

#### **Attleboro Pawtucket Amendments Review**

*\$42,128,287 of Amtrak funds was used to cross-subsidize the MBTA*

*Amtrak failed to identify \$2,392,291 of increased MBTA service costs*

*Amtrak failed to bill \$278,927 to the MBTA for its share of maintenance and equipment costs*

#### **Audit Report 205-2009 – Issued 9/30/2009**

The objectives of the OIG audit were to assess Amtrak's compliance with the cost recovery terms of the Attleboro Agreement and associated amendments. OIG reviewed maintenance, capital, reimbursable and dispatching costs related to the Attleboro Line that was incurred by Amtrak during the period July 1, 2003 through June 30, 2009. OIG noted the following cost recovery related issues:

- ★ OIG found that Amtrak subsidized the Massachusetts Bay Transportation Authority (MBTA) an estimated \$42,128,287 in Amtrak funds for the maintenance and operation of the Attleboro Line Commuter Operations.

Amtrak is prohibited from subsidizing losses of commuter rail passenger or freight transportation under 49 USC Section 24104(f) and prohibited from cross-subsidizing commuter rail passenger or freight transportation under 49 USC Section 24904.

- ★ **OIG found that Amtrak failed to identify, calculate and bill an estimated \$2,392,291 in increased maintenance costs incurred as a result of a MBTA service increase. The Attleboro Agreement allows Amtrak to be reimbursed for all increased operating and maintenance costs resulting from MBTA service increases.**
- ★ **OIG found that Amtrak failed to bill MBTA an estimated \$222,059 for its share of expenses at the Boston South Station Centralized Electric and Traffic Control (CETC) Facility. OIG found that Amtrak failed to bill \$56,868 to the MBTA for Pawtucket, RI Layover Facility Usage Fees.**

The OIG reported that since an apparent cross-subsidization violates federal statutes, Amtrak needs to consider substantially amending this agreement and/or enforcing terms in such a way as to avoid unbilled or uncollected activities which benefit the MBTA. Due to the long history of late and non-payment by MBTA, Amtrak should consider not performing reimbursable work for this customer that has little or no joint benefit to Amtrak.

#### *Management Response:*

Management response was still pending at the end of this reporting period.

#### **Thames River Bridge Project Contract Modification C-0012PS Pier Modifications**

*Cost recovery of \$7,638*

#### **Audit Report 302-2009 – Issued 6/3/2009**

The Office of Audits completed an audit of modification C-0012-PS to contract number C-069-24978 between Amtrak and Cianbro Construction Corporation (Cianbro). Cianbro's contract was entered into to rehabilitate the Thames River Bridge in New London, Connecticut. Amtrak executed the modification to install additional reinforcing steel and strengthen concrete on two bridge piers. The modification was executed for a not-to-exceed amount of \$2,080,198.33.

The audit objective was to determine if the cost or pricing data submitted by Cianbro in support of the modification cost was accurate, complete, and current. The results of the review indicated that Cianbro's submitted cost or pricing data was not entirely accurate, complete, or current. The OIG identified adjustments that increased and decreased Cianbro's submitted costs resulting in a

conclusion that Amtrak is due a net decrease in the cost of the modification in the amount of \$7,638.

#### *Management Response:*

Amtrak management agreed with the findings and Cianbro credited the project for the questioned \$7,638.

#### **Thames River Bridge Project Audit of Counterweight Extra Work Claim**

*Question Cost of \$99,634*

#### **Audit Report 303-2009 – Issued 6/22/2009**

The OIG completed an audit of Cianbro Construction Incorporated's \$1,810,950 claim for extra work performed in removing the counterweight on the Thames River Bridge in New London, Connecticut. The claim was submitted under contract number C-069-24978 between Amtrak and Cianbro for the rehabilitation of the Thames River Bridge. Cianbro submitted the \$1,810,950 claim, dated July 23, 2008, for extra costs incurred to remove the old counterweight from the bridge. Cianbro stated that the extra costs incurred were the result of a "change condition," from that which was disclosed in the contract.

The OIG audit objective was to determine if the cost or pricing data submitted by Cianbro in support of the counterweight claim was accurate, complete, and current as of the date of certification.

The results of the audit indicated that Cianbro's submitted cost or pricing data was not entirely accurate, complete, or current. The OIG identified adjustments in the amount of \$99,634 that should reduce the amount of the claim.

#### **Mueser Rutledge Consulting Engineers Subcontract under Contract C-076-00870 Thames River Bridge Span Replacement Audit Report 307-2007 – Issued 8/26/2009**

The Office of Inspector General audited Mueser Rutledge's (MR) invoices for work on the Thames River project. The Thames River project is the replacement of the moveable span on the Thames River Bridge in New London, Connecticut. MR was a subcontractor on this project hired to develop a stabilization plan for two of the existing bridge piers that moved during construction. MR submitted invoices totaling \$1,446,712, as of My 29, 2009, for engineering consulting services.

The audit objective was to determine that costs submitted by MR were in accordance with contractual terms and supported by detailed books and records. The OIG reviewed the qualifications of engineers assigned to the project to determine that their educational levels and experience were in accordance with contractual requirements.

## Significant Activities: Audits

The OIG found that the costs presented in MR's invoices were fully supported by detailed payroll records, time sheets, and travel vouchers and were in accordance with contractual terms.

### **Thames River Bridge Project Grouting Program Contract Modifications**

*Question Cost of \$86,034*

#### **Audit Report 308-2007 – Issued 6/4/2009**

The Office of Audits completed an audit of contract modification costs submitted by Cianbro Construction Incorporated for pier grouting activities on the Thames River Bridge, Span Replacement Project in New London, Connecticut. Cianbro is the prime construction contractor on this project. Construction contract C-069-24978, between Amtrak and Cianbro, was modified in order to stabilize two bridge piers that began to move during construction. Cianbro's certified grouting program costs, for the cost plus modifications totaled \$10,996,068. The objective of this audit was to determine whether the cost or pricing data submitted by Cianbro in support of the grouting program was accurate, complete, and current.

The OIG started the audit in the spring of 2008 by reviewing Cianbro's first submission of grouting program costs totaling \$10,938,565. The OIG then questioned \$376,209 of the original submission due to overstated subcontractor material costs, incorrect subcontractor equipment rates, and incorrectly allocated direct and indirect labor charges. Cianbro agreed to an initial reduction of \$290,175 which was removed from Cianbro's final certification of grouting program costs.

The OIG completed the audit in February 2009 after Cianbro submitted its final certified costs for the grouting program in the amount of \$10,996,068. The results of the audit of Cianbro's final certified costs indicated that the \$10,996,068 included \$86,034, which the OIG had previously questioned. The \$86,034 represents the amount of subcontractor overbilling caused by for incorrect equipment rates. As a result, the OIG recommended that Amtrak seek an additional price reduction for the grouting program in the amount of \$86,034.

#### *Management response:*

Management disagreed with the recommended \$86,034 reduction stating that contract clauses in the prime contract between Cianbro and Amtrak would not flow down to Cianbro's subcontractor since the subcontractor was not involved when the contract was signed by Amtrak and Cianbro.

#### *OIG Response:*

The OIG disagrees with management's position and believe that the finding should stand.

## Station Audits

### **Baltimore Station Audit**

#### **Audit Report 211-2009 – Issued 7/9/2009**

The OIG review disclosed that internal controls needed to be made in the Baggage Room and processing controls needed improvement for station expenses, expenses for the inconvenience of passengers, documentation supporting Over and Short Ledgers, and the performance of Mini-Audits.

#### *Management Response:*

Station management addressed all of the concerns noted in the report prior to the issuance date.

### **Baltimore Station Audit – Facility**

#### **Audit Report 213-2009 – Issued 8/6/2009**

The OIG conducted an audit of the Baltimore Station Ticket Office and Baggage Room, the OIG observed that exterior improvements needed to be made to the station and some general maintenance issues needed to be addressed.

#### *Management Response:*

Amtrak's Engineering Department corrected the issues that were cited in the report.

### **Denver Station Audit**

#### **Audit Report 402-2009 – Issued 9/29/2009**

The OIG audited the Denver, CO ticket office. The purpose of the review was to: verify assigned working funds, ticket stock and other assets; verify station sales and other activities; and determine compliance with daily station accounting procedures and evaluate safeguards over assets.

The OIG could not verify all assigned working funds at the ticket office. Of 13 Seller's Banks; one was missing, another was inaccessible, and nine others did not contain the dollar amount issued. Ticket stock, station sales and other activities were verified.

Overall, the OIG found ticket agents were not always in compliance with Amtrak's policies and procedures. Specifically:

- ★ Ticket agents have not fulfilled their responsibility to protect and secure Amtrak funds.
- ★ One ticket agent was using the common working fund on a daily basis, which is not permitted.
- ★ Duplicate keys to cash drawers were not sealed and maintained in the safe as required.

- ★ Ticket agents were not aware of their responsibility to report late conductor remittances, thus did not report them in accordance with procedures.
- ★ Refund and exchange tickets were not die-stamped, some were not properly marked for cancellation, and most of the exchange tickets did not contain the new ticket number and value.

The OIG identified control weaknesses with regards to general monitoring of the station activities by the District Manager. Specifically we found:

- ★ The District Manager failed to ensure the working fund at the station was maintained at the authorized level by counting the entire working fund during the mini-audits.
- ★ Station management has not taken action to coordinate employees' schedules to avoid paying unnecessary overtime due to flex time.
- ★ The District Manager failed to monitor and review all elements of the station operations during the mini-audit; i.e., did not count the entire working fund in the safe or review all required documents necessary to answer the mini-audit questions.
- ★ The District Manager(s) did not monitor shortages closely enough to identify a suspicious pattern of shortages occurring over a two year period.

The OIG made detailed recommendations to address each finding.

#### *Management Response:*

Management has agreed with the findings but has not provided its action plan to address each recommendation.

#### **Route 128 Station Audit**

##### **Audit Report 305-2009 – Issued 8/21/2009**

The Office of Inspector General performed a station audit of the Route 128 Station Ticket Office located in Westwood, Massachusetts. The purpose of the review was to: test for compliance with station accounting and reporting procedures; verify assigned working funds, ticket stock and other assets; evaluate safeguards over assets; and, appraise the efficiency of station operations. The audit indicated that the Route 128 Station ticket office is in compliance with station accounting and reporting procedures. Therefore, the report did not contain any formal audit findings. However, the OIG made the following observations which were reported for management's information:

- ★ Die stamp imprints were not clearly displayed on tickets (ink or cleaning issue).
- ★ Exchange ticket transactions do not always show

the amount of an upgrade on the original cancelled ticket.

- ★ The Control Logs for manually issued tickets needs to be completed properly and the Station's copy of the ticket should be maintained with the Lead Ticket Agent.
- ★ Training is needed for Ticket Agents regarding the proper reporting of manually issued tickets for Group Travel transactions, and the accounting of the transaction in the Automated Station Accounting Program (ASAP) and in the functional usage of ASAP.
- ★ Passenger addresses should be recorded on refund documents.
- ★ Maintenance is needed to correct excessive rust to the sides of escalators that service the tracks.

#### *Management Response:*

Station management agreed with the observations and provided the OIG with a corrective action plan that addressed all of the observations.

#### **Glenwood Springs Station Audit**

##### **Audit Report 403-2009 – Issued 9/29/0909**

The OIG conducted an audit of the Glenwood Springs, CO ticket office. The purpose of the review was to: verify assigned working funds, ticket stock and other assets; verify station sales and other activities; and, to determine compliance with daily station accounting procedures and evaluate safeguards over assets.

The review found that assigned working funds, ticket stock, station sales and other activities were verified and the station was in compliance with Amtrak's policies and daily station accounting procedures. However, the OIG found that management over the station operations can improve in the following areas: safeguarding of assets, performance of mini-audits, and approval of miscellaneous expenses.

While evaluating safeguards over assets, auditors observed that ticket agents count station cash in a room that is within public view, which provides inadequate security over counting cash and unnecessarily exposes Amtrak funds and employees to a safety/security risk.

In addition, mini-audits, which are a management control to detect deviations from policy, were not conducted in accordance with procedures. The mini-audits for this station, as currently performed by the District Manager, are not functioning as intended; i.e., as a reliable monitoring tool to ensure the station is in compliance with policies and procedures.

Lastly, there was no evidence that the miscellaneous expenses had been approved by the District Manager since he did not sign the Form NRPC-2382, Miscellaneous

## Significant Activities: Audits

Station Expense Report, as required. Furthermore, miscellaneous expenses were not reported in the month in which the expenses were incurred.

The OIG recommended that the District Manager or Superintendent immediately install a curtain or window covering in the room containing the safe to provide the ticket agents with a place to count the cash that has a reasonable level of security, out of public view and that the District Manager conduct sufficient reviews at the stations by taking the time necessary to accurately complete each question on the mini-audit.

### Information Technology

#### **New OIG Website Successfully Launched to Comply with Inspector General Reform Act and American Recovery and Reinvestment Act.**

*Cost savings of approximately \$250,000*

Under the Inspector General Reform Act of 2008 (IG Reform Act) enacted on October 14, 2008, Amtrak's Office of Inspector General was required to implement a new website within six months that would meet a number of key technical and publishing requirements.

The OIG successfully launched its new OIG website that meets the following key technical requirements of the IG Reform Act:

- ★ Direct link from Amtrak.com homepage to the OIG website Amtrakoig.com.
- ★ Reading Room to make OIG reports easily accessible to public.
- ★ Keyword search functionality.
- ★ Secure and anonymous Tip Hotline Form for submission of allegations.
- ★ Compliance with Section 508 of the Rehabilitation Act that makes the website accessible to people with disabilities.

It is important to note that the new website was implemented one month ahead of the legislative deadline and at an estimated savings of \$250,000 by utilizing the internal resources instead of contracting out to design, build and operate the website. To provide additional safeguards, OIG website is hosted externally at a web hosting service provider. And, the OIG finalized internal process for publishing OIG reports and job openings to the website.

Subsequently, the OIG made the following upgrades to the public website to comply with the OMB guidelines regarding American Recovery and Reinvestment Act of 2009 (ARRA):

- ★ Recovery Act section that includes a full text of the law, role of OIG in oversight of the ARRA funds, whistleblower protection under the act, and a separate Tip Hotline Form.
- ★ A separate section in the Reading Room for Recovery Act Financials and Reports.
- ★ Technical enhancements such as virtual directory redirection for "Recovery" keyword and RSS feed to electronically transmit ARRA related documents to Recovery.gov site.

The OIG is currently working to convert its public website Amtrakoig.com into Amtrakoig.gov site, and migrate to a new web hosting service. This along with a planned implementation to an externally hosted .gov email service, should be completed during the next semiannual reporting cycle.

#### **Significant Progress Made in the Implementation of ACL CCM for Purchase to Payment Process**

In recent past, the OIG purchased ACL continuous controls monitoring (CCM) solution for Purchase-to-Payment (P2P) and Payroll processes. While the OIG has used the ACL software for more than ten years for targeted data mining and analysis on an ad hoc basis, the CCM capability will allow us to perform data analytics on critical business information such as procurement and payroll on a continuous basis.

ACL CCM provides a mechanism to continuously audit and monitor internal control effectiveness of critical business processes by automatically applying pre-defined analytic tests against control parameters and business rules. These tests are effective in detecting and preventing suspicious activity and non-compliant business transactions in a timely manner prior to the financial loss and damage to the business becomes widespread. It allows auditors to use the automated means to provide independent assurance to Amtrak management and Board in the effectiveness of internal controls and the integrity of the transactions underlying business operations.

In 2009, the OIG initiated an audit project to implement the P2P module and assess key controls in Amtrak's Purchase to Payment process. The OIG successfully completed the Requirements Definition Phase by working effectively with Amtrak management from Procurement, Materials Management, Finance and IT areas.

The OIG configured the in-scope standard tests and are now working on implementing custom tests. After testing is completed, the OIG will implement the P2P module in the production environment.

The OIG plans to implement the Payroll module next in 2010. Based on the experience and lessons learned from these deployments, we will decide whether to implement other modules such as Order-to-Cash, General Ledger, Travel and Entertainment Expense, and Purchasing Cards in the future.

### Provided Management Advice in Developing Amtrak Enterprise Architecture

The OIG actively participated in the Enterprise Architecture Steering Committee by reviewing and providing timely feedback on IT Enterprise Architecture (EA) deliverables. Amtrak senior executive leadership has identified the creation of an IT Strategic Plan as a critical goal to coordinate business vision and strategy with IT investment and planning. The first phase of this effort is the creation of an Amtrak Enterprise Architecture (EA) that provides a cohesive future state vision for business processes, applications, services, information and infrastructure. Business Drivers and Enterprise Business Strategies were first identified to influence the following Target Architectures:

- ★ Business Architecture: Describes the future capabilities that the business needs to support a future vision.
- ★ Information Architecture: Describes how information is managed to support future business needs.
- ★ Technology Architecture: Describes what technology investments need to be made to support the future business needs.

Amtrak IT Department and Gartner jointly delivered EA artifacts that describe Amtrak's Current and Target Architecture. The EA artifacts included a Transformation Plan or Roadmap consisting of 14 key "gap closing" EA initiatives requiring over \$600 million in capital investment. These EA initiatives have been grouped in to five broad IT programs, i.e. Strategic Asset Management, Next Generation Reservation System, IT Infrastructure Initiative, Amtrak Information Modernization, and Enterprise Customer Management.

### Management Responses over 180 Days Old for Which Corrective Action Has Not Been Completed

#### Mass Transit Products, Inc. - Termination for Default for Superliner I Overhaul

*Questioned costs of \$63,184*

#### Audit Report 219-2005 – Response 1/25/2006

The Procurement and Materials Management Department is still involved in ongoing settlement negotiations with the contractor and its suppliers and the OIG will continue to monitor the actions taken.

#### Rocla Concrete Ties

*Questioned costs of \$1.3 million*

#### Audit Report 218-2005 – Response 4/14/2008

Based on the terms contained within the Supplies contract dated June 2, 2003, Rocla over billed Amtrak approximately \$1.3 million. Subsequent to our report, Procurement improperly granted Rocla extraordinary contract relief for the questioned costs. Procurement then issued Purchase Order Number S-073-06014 totaling \$6,324,800 to replace 80,000 of defective concrete ties. OIG is currently performing an audit of the new contract and will continue to monitor Management's actions associated with the latest incidents of concrete tie failures.

In the future the OIG plans to review the warranty terms of the previous contract.

#### DMJM+Harris Inc. – East River Tunnel Ventilation Project

*Questioned Costs of \$102,112*

#### Audit Report 208-2008 – Response 3/9/2009

The Procurement and Materials Management Department is involved in negotiations with the contractor for settlement of the final cost. OIG was requested to review 100 percent of the labor hours and costs used during the Modification No. 2 of the original contract for Construction Management Services for the rehabilitation of the East River Tunnel Ventilation Facility at Long Island City, New York; OIG has started this review.

#### UP Audit

*\$144,659 Excess Billings Identified*

#### Report 407-2004 – Issued 3/7/2007

Effective January 1, 2000, The National Railroad Passenger Corporation (Amtrak) entered into an Agreement with the Union Pacific Railroad Company (UP), which consolidated the four previous contracts for the Southern Pacific (SP), the Union Pacific, the Southern Pacific Central States Line, and the Denver and Rio Grande Western Railroads for intercity rail passenger operations on tracks and properties owned by UP. Under the agreement provisions, the UP bills Amtrak each month for specific services and facilities for intercity rail passenger operations. The purpose of our audit was to determine the accuracy, reasonableness, and validity of the charges the UP billed Amtrak for selected items and to develop an audit adjustment claim if appropriate.

The scope of the audit encompassed the period from January 1, 2002 through December 31, 2003, and consisted of analyzing the UP's monthly billing costs, records, payments, technical opinions, vendor invoices, Amtrak delay reports, internal/external letters and memoranda, historical documentation of similar railroad

## Significant Activities: Audits

billings, where available, and other information, as deemed necessary.

The OIG did not audit 100 percent of the billing costs due to resource limitations, dollar materiality, and other constraints. The OIG selected 14 of 23 items billed for audit accounting for more than 98 percent of the total billing. The OIG found erroneous billings in 10 of the 14 items selected for audit, \$230,282 overbilled and \$85,623 underbilled for a net total of \$144,659 due Amtrak. UP representatives agreed with the OIG findings.

The OIG recommended that management initiate a final settlement letter and that monies due Amtrak be collected.

### *Management Response:*

The OIG received management's response on April 14, 2008 agreeing with the findings and indicating that \$121,808 will be collected from the UP and \$22,851 from the Burlington Northern/Santa Fe (BNSF) for fueling rented locomotives.

### **Host RRCA & Operations Management Controls Report 401-2008 – Issued 8/21/2008**

The OIG completed a review of the Host Railroad Contract Administration (HRG) and Operations Management (CA) departments' internal controls. The objectives of this audit were to identify management controls for the railroad contract administration and negotiation as it relates to the administration, and to evaluate the adequacy and effectiveness of these controls. The audit covered the period from January 1, 2007 through December 31, 2007 and prior years for some areas.

The OIG found that management's controls are inadequate and ineffective. The current billing review process before approving payment to host railroads is not adequate to detect material errors. The OIG found that: railroad monthly billings are not thoroughly and completely reviewed before payment; the current OTP billing process consistently allows and results in significant over billing; the adoption of DAI could result in a cost saving of \$341,000 per year; the current organizational structure does not maximize operational efficiencies and effectiveness; responsibilities and functions are not clearly defined and separated; HRG and CA Departments do not have formal written procedures; CSX, Norfolk Southern (NS) and UP amendment agreement changes are not current; HRG does not actively monitor operational changes that affect host railroad agreements and billings; and generally, the bases for flat rated costs are not documented.

### **AUDIT STATISTICS**

#### **Status of Audit Projects**

Audits in progress at 4/01/09	64
Audit projects postponed or cancelled	6
Audit projects started	19
Audit reports issued	19
Audit projects in progress 9/30/08	59

#### **Audit Findings**

Questioned costs	\$103,679,156
Unsupported costs	\$0
Funds to be put to better use	\$44,706,930

**Total** **\$148,386,086**

The OIG recommended fundamental changes in the way Amtrak handles its host railroad contracts including: an internal reorganization for the groups dealing with host railroads; a change in the billing review process from untimely back-end audits to a timely front-end thorough and complete review; and, a contractual change in OTP incentives to adopt Delay Avoidance Incentive or similar process.

### *Management Response*

Management agreed to take responsibility for the billing reviews and has begun to take steps necessary to implement recommendation.

## Theft and Fraud

### Theft Scheme Involving Train Provisioning Management System Clerks and 42 Lead Service Attendants

*Restitution order expected, amount not yet determined*  
 On July 7, 2009, a former Train Provisioning Management System (TPMS) Clerk entered a plea of guilty in the United States District Court for the Northern District of Illinois Eastern Division to violation of Title 18 USC, Section 666 (a) (1) (A) Theft or Bribery Concerning Programs Receiving Federal Funds. The former TPMS Clerk, in conjunction with another former TPMS Clerk, orchestrated a theft scheme involving 42 Lead Service Attendants – all of whom were terminated or resigned – and a loss to Amtrak of \$124,686.02. Sentencing is set for October 5, 2009.

On September 10, 2009, another former TPMS Clerk was sentenced in the United States District Court for the Northern District of Illinois Eastern Division to 12 months and one day of incarceration and held responsible for \$94,000 of the loss to Amtrak. The sentencing followed a guilty plea on January 12, 2009 to violation of Title 18 USC, Section 666 (a) (1) (A) Theft or Bribery Concerning Programs Receiving Federal Funds. The former employee, co-conspired for the with the aforementioned former TPMS Clerk on the theft scheme above.

### Recovery of Restitution

*\$145,105.71 recovered*

The OIG has been conducting investigations related to potential fuel fraud and shortages. During this reporting

period, based on a previously reported OIG investigation, a joint effort between the OIG's Investigation and Audit units, the company was able to recover an additional \$145,105.71 from a vendor in disputed funds. The joint effort identified that in at least two Amtrak locations a major fuel vendor had supplied Amtrak with a lesser grade of fuel than that for which Amtrak had contracted.

### Theft of Fleet Credit Cards

OIG's continuing joint investigation with the Government Services Administration (GSA) Office of Inspector General regarding the theft of fleet credit cards led to the indictment of a former Amtrak employee involved in the case. The former employee was indicted by a Federal Grand Jury on one count of Theft of Government Property (18 USC 641) and one count of Unauthorized Access Device Fraud (18 USC 1029) and Aiding and Abetting (18 USC 2). The indictment charged the former employee with selling stolen fleet credit cards to a co-conspirator, who had already pled guilty as reported in the last Semi Annual period. On August 25, 2009, the former employee subsequently pled guilty to one count of aiding and abetting the theft of government property (18 USC 641 and 2). The former employee is awaiting sentencing.

### Theft of Unclaimed Payroll Checks

*\$18,471 to be recovered*

Amtrak payroll checks that were in the unclaimed or abandoned property file were diverted by an Amtrak employee in the Payroll Department to an Amtrak Conductor. The Conductor negotiated the diverted checks in the total amount of \$18,471. These unclaimed property checks had been returned to Amtrak due to the death or relocation of the recipient. Payroll Department employees were charged with locating the recipient or family members of the recipient. When the recipient was found, a manually generated check was to be issued to them. Both employees were administratively terminated as a result of OIG's investigation. Subsequently, this matter was referred for prosecution to the United States Attorney's Office.

## TYPES OF ALLEGATIONS

*4/1/09 – 9/30/09*

Fraud . . . . .	9
Theft/Embezzlement . . . . .	3
Bribery . . . . .	1
Kickbacks . . . . .	3
False Claims . . . . .	4
False Statements . . . . .	1
False T&A Records . . . . .	10
False Expense Reports . . . . .	1
Drug Violations . . . . .	2
Other Criminal . . . . .	9
Waste . . . . .	2
Abuse of Position . . . . .	4
Mismanagement . . . . .	5
Conflict of Interest . . . . .	3
Administrative Inquiry . . . . .	9
Other Non Criminal . . . . .	17
Referral to Other Agency . . . . .	2

**TOTAL . . . . . 85**

## SOURCES OF ALLEGATIONS

*4/01/09 – 9/30/09*

Amtrak Employee . . . . .	18
Anonymous Source . . . . .	20
Confidential Informant . . . . .	9
Private Citizen . . . . .	24
Referred by Other Amtrak Department . . . . .	4
Referred by Fed/State/Local Law Government . . . . .	5
Other . . . . .	5

**TOTAL . . . . . 85**

## Significant Activities: Investigations

On July 1, 2009, both former employees pled guilty to one count of 18 USC 371, conspiracy to commit Interstate Transportation of Stolen Property. On September 18, 2009, the former Payroll employee was sentenced to six months home confinement, three years probation and 200 hours of community service. The former conductor was sentenced to two years probation and 150 hours of community service. Both former employees were ordered to jointly and severally make restitution to Amtrak.

### Counterfeit Maryland Area Rail Commuter Monthly Tickets

*\$5,600 to be recovered*

The OIG investigated a report of counterfeit Maryland Area Rail Commuter (MARC) Monthly Tickets being used on-board various MARC trains. As a result, OIG determined that 32 counterfeit monthly tickets were passed for \$5,600 in lost revenue. OIG interviewed the suspect, who confessed to making the counterfeit monthly tickets and selling them for extra money. OIG is pursuing \$5,600 in restitution from the suspect.

### Kickbacks

#### Kickback Resulting from Contract Award

OI received information from an anonymous source alleging that a New York Structures Supervisor had received a motorcycle from an asbestos abatement contractor in consideration for his assistance and support in connection with the award of a contract. The subsequent OI investigation substantiated the allegation.

As a result of the OIG investigation it was revealed that an asbestos abatement contractor had been recommended by an Amtrak Structures Supervisor for a significant project in New Jersey. The contractor was awarded the contract in May 2002. The contractor rewarded the Structures Supervisor for his support with the gift of a motorcycle at the request of the Structures Supervisor.

The Structures Supervisor initially told OIG Agents that he had purchased the motorcycle from a private owner and had paid cash for the motorcycle. He obtained an altered bill of sale to conceal the purchase. Prior to an administrative hearing, the Structures Supervisor was terminated in April 2009.

### Waste, Abuse, and Mismanagement

#### Mismanagement Related to Amtrak Defeased Leases

In 1999 and 2000, Amtrak entered into 12 separate financed sale and lease-back transactions known as "defeased leases" involving 624 in-service passenger coach cars. The defeased lease transactions were

between Amtrak and various lessors and were secured through Guaranteed Investment Contracts with insurance companies. The potential debt associated with these 12 defeased leases was about \$900 million. At the time of the defeased lease negotiations, Babcock & Brown (Babcock) represented two of the lessor banks. In late 2007, Amtrak became aware that two of its guarantors were in financial trouble putting Amtrak in jeopardy of default under the terms of its defeased lease agreements.

In early 2008, Amtrak decided to engage Babcock to provide financial advice to Amtrak on replacement of the two troubled guarantors for the defeased lease agreements, along with providing strategic advice and participating in potential transaction restructuring negotiations with Amtrak's lessors. Amtrak management determined that Babcock's previous representation of two lessors would not adversely affect the advice Babcock provided to Amtrak.

The OIG found that Babcock's advising Amtrak in connection with the replacement of guarantors for defeased leases put Amtrak at a greater business risk. This should not have been treated cavalierly by Amtrak management and should have been fully vetted prior to continuing with the engagement of Babcock. Babcock's financial advice regarding the defeased lease transactions heavily favored one course of action: replacement of the two troubled guarantors.

In response to a direct question from an official of the Department of Transportation (DOT) concerning whether Amtrak was getting clean independent advice free from any potential conflict of interest in connection with Babcock's advisory services to Amtrak, an Amtrak official assured the DOT official that all was well. OIG's investigation concluded that Amtrak's representation at that time may have been less than fully candid, based on incomplete fact validation and insufficient expertise to determine whether a conflict or other risk to Amtrak existed.

The OIG found that Amtrak managers appeared to have hastily predetermined a course of action that was not fully thought through. Amtrak spent a significant amount of money on both legal and financial advice, in addition to the millions of dollars spent in connection with replacing the guarantors or unraveling of the original defeased lease transactions.

Amtrak failed to review invoices from Babcock for substantiation of expenses claimed, some of which far exceeded the norms that Amtrak pays to other contractors or advisors.

As a result of the OIG's investigation, several recommendations were recently submitted for consideration to the Amtrak Board of Directors.

### *Management Response:*

Management response was still pending at the end of this reporting period.

### **Vendor Over-Billing**

*\$32,477 recovered*

The OIG identified more than \$34,000 in over billings by a vendor contracted to provide modules for the Superliner Remanufacture project at Amtrak's Beech Grove facility. The over billings consisted of unauthorized charges for General and Administrative costs on a change order and erroneous charges related to scrap material.

The OIG identified questionable actions by the Senior Contracting Agent which allowed the purchase of two unused Deluxe Dividing Door Partitions totaling \$10,669, as well as two possible underpayments to the contractor. As a result of OIG's investigation, the Senior Contracting Agent received a formal counseling for her actions, and Amtrak has recovered \$32,477 from the vendor.

### **Mismanagement of Training Funds**

The OIG received an allegation that a Group Information Officer assigned to Amtrak's Information Technology (IT) Department had circumvented Amtrak policies and procedures by using IT "training funds" to pay for his Ph.D. degree.

The OIG investigation confirmed that after the employee's Educational Assistance Application was denied, he sought and obtained monies stated as "training funds" to pay in full for two prerequisite doctoral courses in furtherance of his Doctorate of Management. It should be noted that prior to the completion of the OIG investigation, the company undertook steps to clarify its policy related to the use of training funds.

### **Abuse of Position**

★ The OIG determined that a Chicago Trainmaster abused his position by requiring a Conductor to allow two personal friends to ride in business class even though the friends had only paid coach fares. The Trainmaster

received a verbal counseling and was required to repay Amtrak the cost of the two upgrades.

- ★ An Auto Train On Board Services (OBS) Manager abused his position by allowing family members or friends of Amtrak employees working the Auto Train to ride complimentary as unticketed passengers on Auto Train as an incentive to encourage employees to work during the holidays. The OBS Manager received a reprimand.
- ★ The OIG received an allegation that a Human Resources Manager was directly involved with the hiring of a family member. It was alleged the Manager took an active role in securing an additional week of vacation for the family member as a part of the hiring package. The OIG's subsequent investigation supported the allegation. As a result, the Manager received a one day suspension.

### **Misappropriation of Amtrak Assets**

#### **Unauthorized Vehicle Use**

- ★ An OIG investigation revealed that an Amtrak employee took an Amtrak vehicle home, without alternate garaging authority, several times. Subsequently the employee was disciplined and suspended for 10 days.
- ★ An OIG investigation revealed that an Amtrak employee took an Amtrak vehicle to his place of business, without alternate garaging authority, approximately a dozen times over a two year period. As a result of OIG's investigation, subsequently the employee was disciplined and suspended for 10 days.
- ★ An Amtrak investigation revealed that an Amtrak employee was leaving work early and taking an Amtrak vehicle home without authorization. The employee's supervisor told OIG that he may have verbally approved that the employee could take the company vehicle home. Subsequently the employee was disciplined and suspended for 30 days. The supervisor received a



## Significant Activities: Investigations

reprimand for giving him unauthorized permission to take the company vehicle home.

### Falsification of Documentation

#### Falsification of Employment Application

As the result of an allegation and the subsequent OIG investigation, the OIG discovered that an employee had falsified his employment application alleging that he graduated from high school. The OIG referred the findings to Human Resources. The employee was terminated for providing false information on the job application.

### Assistance to Other Agency

#### Assistance to United States Marshal Service

The OIG assisted the United States Marshal Service with travel information on a person they were investigating for failure to register as a sex offender. The information which OIG provided was crucial to the investigation and led to the indictment of the person. The prosecution in this matter is pending.

### Recommendations to Enhance Efficiency and Effectiveness

#### Family Medical Leave of Absence (FMLA) and Leave of Absence (LOA) Systematic Problem Addressed

The OIG, in conjunction with the Department of Labor's Office of Inspector General, opened a pro-active investigation into potential Family Medical Leave of Absence (FMLA) and leave of absence (LOA) abuse at Amtrak. With the assistance of Amtrak's Health Services Department, which conducted an exhaustive review of its files, the OI was able to identify a number of suspect employees who had the ability to continue to utilize Amtrak benefits, while failing to provide the necessary paperwork required to maintain a LOA status.

The OIG notified various affected Amtrak departments requesting that they verify their employees' LOA status and confirm that all Amtrak policies and procedures regarding LOA had been followed. As a result of this cooperative initiative, the notified departments have taken or are in the process of taking the appropriate action to remedy this systemic problem. To date, approximately 12 employees have been terminated with a cost prevention of approximately \$465,000 in savings to Amtrak each year.

In addition, the paperwork for approximately 17 employees have been updated and accurately reflected in Amtrak systems. Lastly, the status for approximately 25 employees is still pending. This investigation is on-going.

### Improvement Program / Issuance of Managerial Oversight Guidelines

Following the dismissal of a Buildings and Bridges (B&B) Supervisor assigned to the Maintenance of Way (MOW), OIG agents were advised of actions of harassment and retaliation being launched against an employee who had testified in the Administrative Hearing which precipitated the firing. An OIG investigation was conducted and resulted in numerous allegations, including but not limited to a lack of managerial oversight, overtime fraud, time and attendance issues, and misuse as well as theft of company property.

The subsequent investigation, interviews and OIG administrative referral resulted in the agreement of the Engineering Department to OIG's recommendations to implement changes which will include required attendance of all employees, headquartered at the MOW, at a Communication/Training Improvement Program. In addition, "A Manager/Supervisor Expectation and Guideline Letter" will be sent to all applicable managers and supervisors. Lastly, Engineering will be implementing a centralized time and attendance kiosk for all major headquarters over the next year to enhance the existing Maximo timekeeping system.

### Reconciliation of Management Leave Records

During the course of an investigation on another matter, OIG Agents discovered that Washington Crew Base Managers were unable to record their leave in the System, Applications and Products (SAP) data processing system for calendar year 2008. As a result of recommendations made by OI in a Management Referral, the affected leave records will be reconciled enabling Amtrak to recoup hundreds of leave hours that went unrecorded.

### Theft Tracking Devices

The OIG received an allegation that a "Bobcat" Tractor/Backhoe was stolen from the Penn Coach yard and could not be located. The OIG conducted an investigation into the matter and found that the "Bobcat" had been rented without requiring a tracking device be placed on the machine in case of theft. The loss of the machine cost Amtrak approximately \$15,000. The OIG recommended to rent only machines on which tracking devices had been installed.

#### Management Response

Management agreed with the with OIG's recommendation.

### Change of Purchase Policy

*\$66,090 settlement for future credit on purchases or services*

Amtrak Engineering reported that Amtrak had ordered, paid for but never received switch board equipment from an equipment provider in 2001. The equipment cost Amtrak \$66,090. The subsequent OIG investigation confirmed this information and based on the resulting OIG Management report, Amtrak changed its purchase policy.

On August 21, 2009, a Confidential Settlement Agreement was made with the contractor to provide Amtrak \$66,090 by wire transfer or check, or extend credit to Amtrak in the amount of \$66,090 towards future purchases or services.

### Cancellation of Amtrak-Issued American Express Credit Cards

A review by the OIG of Amtrak accounting records revealed that some Amtrak employees had retained their Amtrak-issued American Express Credit Cards after they left Amtrak employment. OI referred this information to Accounting Management for further handling. Accounting Management found that out of 738 active American Express Credit Cards assigned to Amtrak employees, 31 were found to be issued to employees who no longer work for Amtrak. As a result, those American Express Credit Cards were cancelled.

### Change of Policy Regarding Vendor 1099 Forms

Proactive research by the OIG of Amtrak's Accounting system revealed that some vendors who had done business with Amtrak in 2008 did not receive a form 1099 for income reporting purposes. As a result of the OIG findings and subsequent referral, Accounting addressed the omissions and created additional steps to prevent similar problems in the future.

## Revenue Protection Unit

### RPU-Initiated Lead Service Attendant Reviews

During this reporting period, in conjunction with onboard train observations of LSAs, RPU analyzed the applicable support documentation for on board food and beverage sales for 128 trains on 56 different LSAs. The completed reviews resulted in 21 administrative referrals consisting of various findings covering theft and fraud to failure to follow procedures. At the completion of this reporting period, discipline had been assessed, based on these and previous reporting period RPU referrals, for 14 LSAs, with discipline ranging from termination, suspension or disqualification to formal reprimand, remedial training or counseling.

In an effort to identify any significant problems related to LSA compliance with on board policy and procedure on trains featuring Point of Sale (POS) machines, RPU conducted a sampling of 33 random observations on 24 different Los Angeles and Oakland LSAs. The observations and subsequent analysis of the corresponding documents,

reports and systems revealed numerous and consistent failures. As a result of these findings, OIG issued findings and Administrative Referrals to the applicable Superintendents.

Oakland Management has agreed with RPU findings and responded by addressing employee failures with discipline on the 11 LSAs identified as having violated policy. Written changes to policy, refresher notices, job briefings, and Operation Standards Updates (OSU) will be utilized to identify exceptions to policy.

### Management Response

Los Angeles Management has agreed with RPU findings and responded by addressing RPU findings with discipline on the 11 LSAs identified as having violated policy. A review of the current policy and procedures for hours of service issues will be conducted and revised, if necessary. Management will incorporate a POS reconciliation report into the LSA review process and conducted job briefings with reinforcement of the correct policy and procedure on identified RPU findings.

### RPU-Initiated Conductor Reviews

During this review period, RPU conducted 33 random observations of Conductors and Assistant Conductors based out of Los Angeles and Oakland. Ten random reviews were conducted on 11 different Conductors and Assistant Conductors assigned to work the Downeaster trains in New England. The review revealed widespread

## PROSECUTIVE REFERRALS

4/01/09 – 9/30/09

Referrals	U.S. Attorney	Local/ State	TOTAL
<b>Criminal Cases</b>			
Indictments	4	0	4
Convictions/Pleas	5	0	5
Pending*	20	0	20
Declinations	0	0	0
<b>TOTAL</b>			<b>29</b>
<b>Civil Cases</b>			
Suits Filed	0	0	0
Settled	0	0	0
Pending	0	0	0
<b>TOTAL</b>			<b>0</b>
<b>TOTAL CIVIL AND CRIMINAL</b>			<b>29</b>

*\*Some of these will be reflected under pending civil cases because these matters are being handled by the United States Attorney's Office in parallel proceedings. In cases where there have been convictions or pleas, we may be awaiting sentencing, restitution or other resolutions.*

# Significant Activities: Investigations

## CASE STATUS OF INVESTIGATIONS

4/1/09 – 9/30/09

Total Open Cases as of 4/1/09	330
Closed Cases	-84
Opened Cases	85
<b>Total Ongoing Cases as of 9/30/09</b>	<b>331</b>

patterns of apparent intentional disregard for or lack of knowledge of required policy and procedure. Several of these findings were in areas that attribute towards a negative impact to Amtrak's cash position or pose a safety and/or security issue. Administrative Referrals were forwarded to the applicable Superintendents for further handling.

### Management Response

Oakland Management has agreed with RPU findings resulting in eight individuals counseled, five charge letters issued, with two employees accepting waivers for 20 day suspensions. Management will issue notices clearly stating and reminding conductors of policy and procedure, as well as establish meetings with each manager and Pacific Division staff member to reinforce careful monitoring ensuring future compliance.

Management has agreed that they will ensure that any time a policy is changed it is clearly stated in writing and submitted to the proper department for inclusion into the Service Standards Manual (SSM), and replace verbal agreements with state agencies with clearly defined written policies.

Los Angeles Management has agreed with RPU findings and responded by addressing RPU findings with a review and, if necessary, revisions to policies and procedures as needed. Management will reinforce acceptable policies and procedures as job briefings.

Boston management has responded to the RPU Referral pertaining to Downeaster Ten-trip Ticket Mishandling with appropriate discipline and/or refresher notification of policies and procedures.

Boston management met with the Manager for Epicurean Feast, provider of food and beverage service on Downeaster trains, to discuss observations made by RPU indicating that, in general, the service provided by this private company does not portray Amtrak in the best light.

### Formal Investigation Issues

OIG personnel spend energy and countless hours researching allegations that often represent findings of wrongdoing resulting in discipline. For those discipline matters handled through the formal discipline process involving a trial, it is important that all parties be

prepared, confident and knowledgeable of the process. Amtrak's process for handling formal discipline cases equitably divides responsibility among three participating parties; the Hearing Officer, the Charging Officer, and if guilt is proven, the senior department official. Having the best qualified, experienced and unbiased individuals for these positions is paramount to the success of Amtrak's discipline program.

The Hearing Officer must be able to be objective in his conduct. He must be able to exercise a high degree of self-control and have the ability to analyze and evaluate facts without regard to personal opinions. He should avoid any expression of his personal opinion regarding the case or with regard to the guilt or innocence of the employee.

During this reporting period, RPU became concerned about opinions against investigations related to OIG/RPU findings by a West Coast-based Hearing Officer. The Hearing Officer has exerted his authority to either dismiss cases or rule unfavorably without reasonably valid justification on several, consecutive occasions and in spite of significant evidence.

In addition to the loss of a significant impact for the energy and time spent by OIG/RPU investigating and proving wrongdoing by employees, these oversights, weaknesses and biased opinions often result in the failure to hold wrongdoers responsible for their actions.

The OIG intends to recommend to management that the system applicable to hearing officers who attend to OIG investigations be modified.

## Case Handling

The OIG receives allegations from various sources, including employees, confidential informants, Congressional sources, federal agencies and third parties. Presently, we are handling 331 investigations; in the last six months, we opened 85 cases and closed 84 cases.

As set forth in the chart below, entitled "Sources of Allegations," employees and anonymous source referrals accounted for about 44 percent of the allegations during this reporting period, with employees being the source of 18 of the 85 allegations, or 21percent.

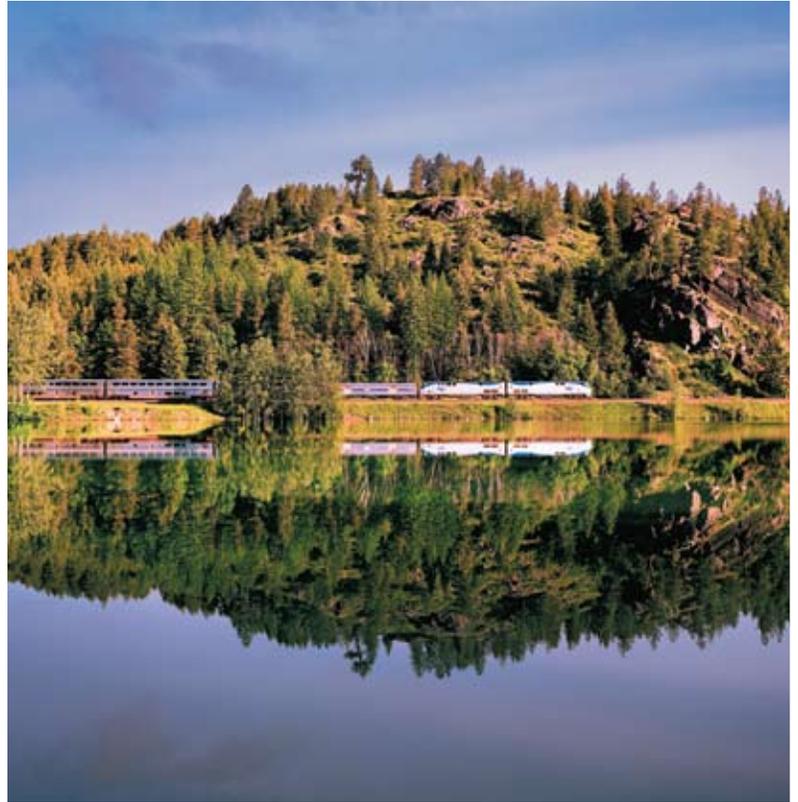
The OIG received 76 HOTLINE complaints during this reporting period. The majority of HOTLINE complaints received during this reporting period were from private citizens.

## OIG Hotline

The fraud OIG HOTLINE program has continued to provide employees or third parties an opportunity to report allegations of fraud, waste, abuse, and other wrongdoing. Employees can access the HOTLINE 24 hours a day by calling Amtrak Telephone

System (ATS) number 728-3065 in Philadelphia and the toll free number (800) 468-5469 if outside Philadelphia. During working hours from 9:00 a.m. to 4:30 p.m., the OIG answer callers on the HOTLINE system. During other hours or during those occasions when staff are away from the office, callers can leave a message on the HOTLINE answering machine.

People may write in confidentially to P.O. Box 76654, Washington, DC 20013. The OIG received nine telephonic HOTLINE complaints during this reporting period, which is an increase from the previous reporting period. The majority of HOTLINE complaints received during this reporting period were made by anonymous sources and private citizens.



## HOTLINE STATISTICS

4/01/09 – 9/30/09

TOTAL

Hotline Complaints Received: 76

### Sources of Hotline Complaints:

Private Citizen	42
Anonymous Source	22
Amtrak Employee	10
Federal LEO	1
Other OIG	1

### Classification of Complaints:

Criminal – Other	33
Non-criminal/Other	13
Fraud	6
Theft	4
False T&A	5
Mismanagement	3
Abuse of Position	1
Conflict of Interest	1
Waste	2
Administrative Inquiry	8

### Complaints Referred To:

OI Field Offices	35
Management	31
APD	2
RRB/OIG	1
No Action Required	6
OIG Audit/Inspections	1

## Significant Activities: Inspections and Evaluations

### **Human Capital Management – Amtrak faces significant Human Capital Management challenges over the next 5 years**

*\$23M to \$50M in potential savings identified*

**Report E-09-03 – Issued 5/15/2009**

In November 2007, the Office of the Inspector General (OIG) initiated a company-wide evaluation of how Amtrak manages its human capital (HC). The team evaluated how well Amtrak identifies its manpower needs and then recruits, hires, develops and retains the individuals with the skills needed to accomplish Amtrak's mission and strategic goals.

The OIG found that, although the traditional role of human resources (HR) has evolved over the past 20 years from being mainly transactional and reactionary to one that is more proactive and strategic, Amtrak has been slow in following this trend. For various reasons, the Human Resources and Labor Relations Departments have not been viewed as strategic partners at Amtrak. This will need to change for Amtrak to address its human capital management challenges in the future.

Once the economy rebounds, there is a real danger that Amtrak will lose skilled craftsman and technical expertise faster than it can replace them. In fact, over a quarter of Amtrak's workforce will be eligible for retirement in less than five years. Investments in recruiting, developing, motivating, and retaining, highly qualified employees with the skills that are critical to Amtrak's current and future needs are required for the company to maintain its position as the leader in intercity passenger rail within the United States. To ensure these investments are spent wisely and targeted in the correct areas, Amtrak needs a comprehensive, corporate-wide HC strategy that is tied to the company's strategic plan and is supported by Amtrak's senior leadership and its Board of Directors.

To help the company address this critical issue and to improve the efficiency and effectiveness of its HC, the report makes 24 specific recommendations – including the creation of a HC officer position for the company to provide a single point of accountability for leading the strategic transformation of HC management that must occur if Amtrak is to be successful in the future.

In an attempt to quantify the potential benefits Amtrak could realize by improving its HC management practices, the OIG compared Amtrak's expenditures in this area with other large companies. Based on the OIG benchmarking, the OIG estimates that Amtrak could potentially save between \$23 million and \$50 million if it performed as efficiently as the benchmarked companies. These estimates represent the potential savings in costs for typical HR administration and services.

Although far from insignificant in themselves, these savings are only a part of the benefits to be gained.

Lower turnover, greater productivity, improved morale, less overtime, and lower training costs are all benefits that could be gained through more efficient and effective management of Amtrak's human capital.

During the course of the Human Capital Management Evaluation, the OIG decided to conduct a separate and more detailed review of employee development and training. A separate report on that evaluation will be issued in the next reporting cycle.

#### *Management Response*

Management agreed with all of the recommendations except to combine the Labor Relations and Human Resources departments into one department under a single Human Capital Officer.

### **Lessons Learned: An Analysis of the Acela and Surfliner Programs – Lessons learned from past major equipment procurements documented to guide future procurements**

**Report E-09-04 – Issued 7/21/2009**

Amtrak is currently planning a number of rolling stock equipment procurements. To insure current Amtrak decision-makers are knowledgeable of "lessons learned" from past Amtrak procurements, the OIG decided to review the experience of two of Amtrak's major equipment procurement programs during the last 15 years (Acela and Surfliner) and document the "lessons learned" from these programs. To accomplish this, the OIG interviewed over a dozen of the key individuals involved in these procurements.

The individuals interviewed had many recommendations from their experiences with these procurements. The OIG report discusses both programs and documents 20 of these recommendations to help guide Amtrak management in any future major equipment procurement.

#### *Management Response*

Management agreed with the recommendations and has already incorporated some of them into current procurement actions.

### **Amtrak's Infrastructure Maintenance Program**

*Potential cost savings of \$50M to \$150M identified*

**Report E-09-05 – Issued 9/28/0909**

As reported in the last semiannual report, the OIG has been involved in a multi-year evaluation of the efficiency and effectiveness of Amtrak's right-of-way (ROW) maintenance programs. The OIG recently issued our final report of this evaluation, which utilized a combination of qualitative and quantitative techniques to assess the efficiency and effectiveness of Amtrak's program and to identify opportunities for improvement.

## Significant Activities: Inspections and Evaluations

To measure the relative efficiency and effectiveness of Amtrak's Infrastructure Maintenance program, the OIG benchmarked Amtrak's performance metrics to those of comparable European railroads. To identify the "best practices" in infrastructure maintenance, OIG staff visited six European countries/infrastructure operators that were included in the benchmarking study and had unique expertise in specific areas of infrastructure maintenance and renewal.

The benchmarking process showed that Amtrak has an opportunity to reduce its long-term infrastructure capital and operating maintenance costs by \$50 million to \$150 million per year by improving the overall efficiency and effectiveness of its infrastructure maintenance program to the level of comparable European railroads. During the visits to the six European countries/infrastructure operators, the OIG staff discovered numerous maintenance practices and technologies that Amtrak may be able to adopt to improve the efficiency and effectiveness of its infrastructure maintenance program.

The OIG evaluation further revealed that there are numerous causal factors that determine why Amtrak spends more on its infrastructure maintenance and that some of these factors are outside of Amtrak's direct control.

This report documents the OIG staff findings and lists 16 recommendations to help Amtrak manage its Infrastructure Maintenance Program more effectively and efficiently and to take advantage of the opportunity to reduce its long-term infrastructure capital and operating maintenance costs. The recommendations take into consideration that Amtrak is not totally in control of all of the factors impacting its infrastructure maintenance costs and that Amtrak must enlist the support of outside agencies to accomplish several of the recommended actions.

### *Management Response*

Management response was still pending at the end of this reporting period.

### **Procurement and Material Supply Chain Management**

#### *Additional credit of \$575,937.70 for overcharges*

Amtrak entered into a contract with Alstom TLS in 2006 to supply and manage the parts inventory for the Acela trainsets. This contract has an estimated value of close to \$200 million over the five-year term. As reported previously, the OIG questioned whether Amtrak was getting proper credit for components returned to inventory after bench testing. Based on the OIG's inquiry, Amtrak received a credit of \$3,271,074.95 for overcharges during the period of September 2007 to August 2008. Of this total, \$2,695,137.20 was reported

in previous semiannual reports. Additional credits are still pending based on further OIG analysis of settlement calculations.

### **Amtrak Mechanical Maintenance Operations**

#### *\$2.5 million in additional benefits realized*

In September 2005, the OIG issued report E-05-04, which resulted from a year-long system-wide review of Amtrak's Mechanical Maintenance Operations. In this report, the OIG recommended that Amtrak adopt a more modern maintenance philosophy based on Reliability-Centered Maintenance (RCM). An RCM-based program requires that all maintenance activities be supported by sound technical and economic justifications.

The OIG's report recommended specific actions that Amtrak should take to transition to RCM and to make the operations more efficient. For the past four years the OIG has been working with the Mechanical Department to help them implement the OIG recommendations.

Some of the recommendations in the report on Mechanical Maintenance Operations addressed streamlining Amtrak's maintenance processes. One of the improvement efforts that the OIG continues to support is providing advice and assistance with process improvement and manpower utilization for turnaround servicing at our major stations.

During FY09, working with management at three of Amtrak's maintenance locations, productivity improvements have generated more than \$3 million in benefits from reduced overtime, vacant positions not filled, or labor made available for other work. \$500,000 of these benefits were reported in the previous semiannual report. As we assist management in implementing these improvements at other locations the OIG hopes to achieve similar results.

### **Locomotive Camera Installations**

The OIG is continuing to oversee and advise on a project to install cab-mounted video cameras on all of Amtrak's locomotives. Freight railroads have shown that these types of cameras have made a huge difference in their ability to defend themselves in claims involving grade-crossing accidents, thereby significantly reducing settlement costs and court awards from these types of lawsuits.

This effort began as an OIG-initiated, limited-scope project to demonstrate and learn about the technology. Since then, cameras have been installed on more than 230 locomotives. The cameras are now recording a collision or some other incident somewhere in Amtrak's system almost every day, greatly helping to pinpoint the causes of the incidents. The installation on the rest of Amtrak's locomotives is planned to follow in FY 2010.

# Significant Activities: Inspections and Evaluations

## Harassment and Intimidation Complaints

Amtrak's Statement of Policy Against Harassment and Intimidation states, in part, "Amtrak will, under no circumstances, tolerate harassing or intimidating conduct by any employee that is calculated to discourage or prevent any individual from receiving proper medical treatment or from reporting an accident, incident, injury or illness." This Statement of Policy conforms to Federal Railroad Administration Regulations 49 CFR Part 225.33. The Amtrak OIG investigates allegations of violation of this policy.

During this reporting period, the OIG concluded its review of two allegations received during the previous reporting period. The OIG issued one letter of no finding, whereby the OIG concluded that the employee was not harassed or intimidated by management as defined by FRA 49 CFR 225.33. However, the OIG substantiated the allegation in the other case and found that the employee's manager harassed and intimidated the employee with the intent to discourage the employee from reporting an injury. Amtrak Management was briefed on the findings.

### *Management Response*

Management response was still pending at the end of this reporting period.

## INVESTIGATIONS AND EVALUATIONS

4/01/09 – 9/30/09

### Findings

Cost Savings . . . . .	\$575,937.70
Potential Future Savings . . . . .	\$73-\$200 million
Productivity Savings . . . . .	\$2.5 million

**FY 2009 PERFORMANCE MEASURES**

4/01/09 – 9/30/09

<b>Audit Results</b>	<b>Total</b>
Congressional Testimony . . . . .	0
Costs Questioned . . . . .	\$104,743,472
Funds to be Put to Better Use . . . . .	\$44,706,930
Management Decisions to Seek Recoveries . . . . .	\$103,679,156

<b>Investigative Results</b>	<b>Total</b>
Indictments/Informations . . . . .	4
Convictions . . . . .	5
Fines . . . . .	0
Court Ordered Restitutions/Civil Judgments/Administrative Restitution . . . . .	\$112,471
Recoveries* . . . . .	\$145,105
Years Sentenced . . . . .	1
Years Probation . . . . .	5
Years Supervised Release . . . . .	0
Hours of Community Service . . . . .	350
Debarments and Other Administrative Action . . . . .	0
Hotline Complaints Received . . . . .	76
Hotline Complaints Investigated by OIG . . . . .	36
Hotline Complaints Referred to Operating Administrations or Other Agencies . . . . .	36

\* Recovery totals do not include recoveries made as a result of joint activities with OIG

**FY 2009 ADVISORY FUNCTIONS**

4/01/09 – 9/30/09

<b>Advisory Functions</b>	<b>Total</b>
FOIA Requests Received . . . . .	1
FOIA Requests Processed . . . . .	1
Legislation Reviewed . . . . .	0
Regulations Reviewed . . . . .	0

# Appendices



**OFFICE OF INSPECTOR GENERAL  
AUDIT REPORTS ISSUED WITH QUESTIONED COSTS**

4/1/09 – 9/30/09

	Number	Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period.	5	\$1,064,316	\$0
B. Reports issued during the reporting period.	8	\$103,679,156	\$0
Subtotals (A + B)	13	\$104,743,472	\$0
LESS			
C. For which a management decision was made during the reporting period.	10		
(i) dollar value of recommendations that were agreed to by management.		\$78,277,292	\$0
(ii) dollar value of recommendations that were not agreed to by management.		\$25,939,248	\$0
D. For which no management decision has been made by the end of the reporting period.	3	\$526,932	\$0

## Appendix 2

### OFFICE OF INSPECTOR GENERAL AUDIT REPORTS ISSUED WITH FUNDS TO BE PUT TO BETTER USE

4/1/09 – 9/30/09

	Number	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period.	2	\$1,383,496
B. Reports issued during the reporting period.	1	\$44,706,930
Subtotals (A + B)	3	\$46,090,426
LESS		
C. For which a management decision was made during the reporting period.	2	\$83,496
(i) dollar value of recommendations that were agreed to by management.		\$1,300,000
(ii) dollar value of recommendations that were not agreed to by management.		
D. For which no management decision has been made by the end of the reporting period.	1	\$44,706,930

**OFFICE OF INSPECTOR GENERAL  
DETAILED LISTING OF ALL ISSUED AUDIT REPORTS**

4/1/09 – 9/30/0

Date Issued	Report Number	Report Title	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
9/29/2009	103-2009	AmPlan Eligibility Process Review	\$0	\$0	\$0
5/6/2008	105-2008	Mechanical Facility Support Equipment	\$0	\$0	\$0
4/14/2009	105-2009	Chicago Leases Expense Audit	\$247,955	\$0	\$0
5/13/2009	201-2008	Celerant Consulting Inc.	\$0	\$0	\$0
6/17/2009	202-2009	Food & Beverage Inventory Transition	\$0	\$0	\$0
9/30/2009	205-2009	Attleboro Pawtucket Amendment Transition	\$278,927	\$0	\$44,706,930
5/13/2009	207-2008	Reimbursable Retroactive Wages Review	\$102,602,866	\$0	\$0
7/9/2009	211-2009	Baltimore Station Review	\$0	\$0	\$0
8/6/2009	213-2009	Baltimore Station Real Estate Review	\$0	\$0	\$0
9/29/2009	218-2008	Amtrak Safety Audit Program Review	\$0	\$0	\$0
6/3/2009	302-2009	Thames River Pier Contract Modification	\$7,638	\$0	\$0
4/21/2009	303-2009	Thames River Counterweight Claim	\$99,633	\$0	\$0
8/31/2009	305-2009	Route 128 Station Audit	\$0	\$0	\$0
8/26/2009	307-2009	Mueser Rutledge Change Order	\$0	\$0	\$0
4/14/2009	308-2007	Cianbro Construction Grouting Change Order	\$376,209	\$0	\$0
5/14/2009	401-2009	Station Audit – Naperville, IL	\$0	\$0	\$0
9/29/2009	402-2009	Station Audit – Denver, CO	\$50	\$0	\$0
9/29/2009	403-2009	Station Audit – Glenwood Springs, Co	\$0	\$0	\$0
8/24/2009	506-2009	Union Pacific Railroad – Diesel Fuel and Fuel Handling	\$65,878	\$0	\$0
TOTAL:			\$103,679,156	\$0	\$44,706,930

## Appendix 4

**OFFICE OF INSPECTOR GENERAL  
SUMMARY OF REPORTS TO THE PRESIDENT OF AMTRAK CONCERNING INFORMATION OR  
ASSISTANCE UNREASONABLY REFUSED OR NOT PROVIDED**

*4/1/09-9/30/09*

Nothing to report this period.

**OFFICE OF INSPECTOR GENERAL  
REVIEW OF LEGISLATION AND REGULATIONS***4/1/09-9/30/09*

Section (4)a of the Inspector General Act of 1978, as amended, provides that the Inspector General shall “review existing and proposed legislation and regulations relating to programs and operations of such establishment and to make recommendations in the semiannual reports ...concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by such establishment or the prevention and detection of fraud and abuse in such programs and operations.”

Furthermore, Section 4(a) states that it is “the duty and responsibility of the Inspector General “to recommend policies for, and to conduct, supervise, or coordinate relationships between such establishment and other Federal agencies, State and local governmental agencies, and nongovernmental entities with respect to (A) all matters relating to the promotion of economy and efficiency in the administration of, or the prevention and detection of fraud and abuse in, programs and operations administered or financed by such establishment, or (B) the identification and prosecution of participants in such fraud or abuse.”

During the semiannual reporting period, the OIG conducted oversight of Amtrak’s American Recovery and Reinvestment Act of 2009 (ARRA) activities and expenditures. As required by ARRA, the OIG has filed monthly reports of the OIG’s ARRA financial expenditures and oversight activity with [www.Recovery.gov](http://www.Recovery.gov), the website of the Recovery Accountability and Transparency Board.

The Inspector General Reform Act of 2008 established an independent budget submittal process for the OIG. The Chairman of the Amtrak Board of Directors submitted the OIG’s Fiscal Year 2011 budget estimate and request to the Office of Management and Budget on September 14, 2009. The OIG’s annual budget estimate and request are submitted to Congress as part of Amtrak’s annual grant and legislative request.

## GLOSSARY OF AUDIT TERMS AND ABBREVIATIONS

The terms the OIG use in reporting audit statistics are defined below:

**Questioned Cost** -- Cost or expenditure of funds for an intended purpose that is unnecessary, unreasonable, or an alleged violation of Amtrak’s corporate policy or procedure.

**Unsupported Cost** -- Cost that is not supported by adequate documentation at the time of the audit.

**Funds to Be Put to Better Use** -- Funds identified in an audit that could be used more effectively by taking greater efficiency measures.

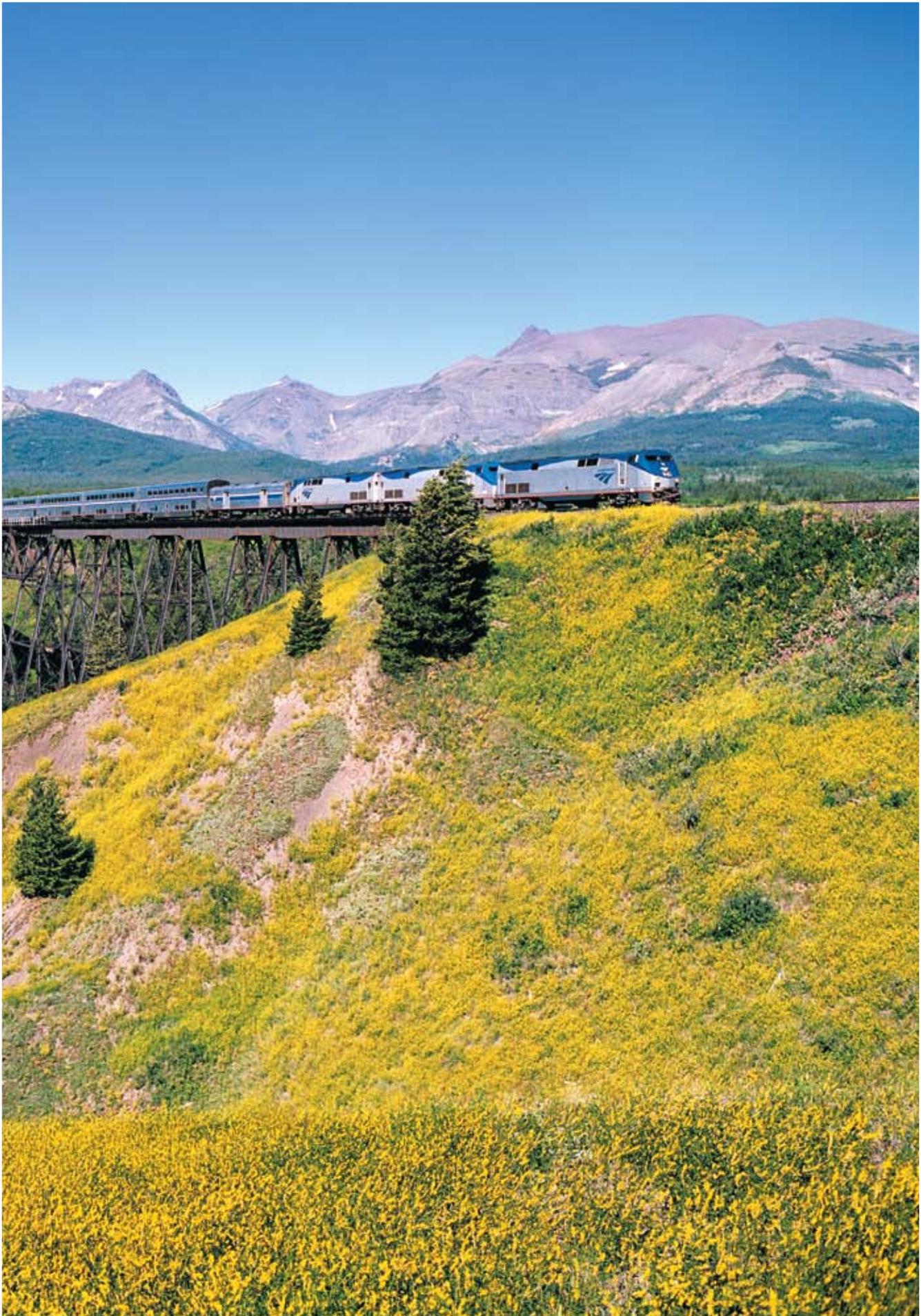
**Management Decision** -- Management’s evaluation of the OIG audit finding and its final decision concerning agreement or non agreement with the OIG recommendation.

**Abbreviations/acronyms** used in the text are defined below:

ACL	CCM Continuous Controls Monitoring	MOW	Maintenance of Way
Amtrak	National Railroad Passenger Corporation	NRPC	National Railroad Passenger Corporation (Amtrak)
ARRA	American Recovery and Reinvestment Act of 2009	NS	Norfolk Southern Railroad
B&B	Buildings and Bridges	OBS	Onboard Service
BNSF	Burlington Northern Santa Fe Railroad	OIG	Office of Inspector General
CA	Operations Management	OSU	Operation Standards Updates
CCM	continuous controls monitoring	OTP	On Time Performance
CEO	Chief Operating Officer	P2P	Purchase-to-Payment
CETC	Centralized Electric and Traffic Control	POS	Point of Sale
EA	Enterprise Architecture	P.L.	Public Law
FMLA	Family Medical Leave of Absence	QOH	Quantity on Hand
FY	Fiscal Year	RCM	Reliability-centered Maintenance
GSA	Government Services Administration	RAO	Responsible Amtrak Officials
HC	Human Capital	ROW	Right-of-way
HR	Human Resources	RPU	Revenue Protection Unit
HRG	Host Railroad Contract Administration	SAP	System, Applications and Products
IT	Information Technology	SP	Southern Pacific Railroad
LAAS	Lease Audit and Advisory Services, Inc.	SSM	Service Standards Manual
LOA	Leave of Absence	TPA	Third Party Administrator
LSA	Lead Service Attendant	TPMS	Train Provisioning Management System
MBTA	Massachusetts Bay Transportation Authority	UP	Union Pacific Railroad
MOU	Memorandum of Understanding	U.S.C.	United States Code

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## **Stop Fraud, Waste, Mismanagement, and Abuse**

Who pays? You pay. Act like it's your money...it is!

### **Tell Us About It**

Maybe you are aware of fraud, waste, mismanagement, or some other type of abuse at Amtrak. Amtrak's Office of Inspector General has a toll free hotline number for you to call. You can write to the OIG.

The OIG will keep your identity confidential. If you prefer, you can remain anonymous. You are protected by law from reprisal by your employer.

### **Call the hotline:**

Nationwide (800) 468-5469

Philadelphia (215) 349-3065 or ATS 728-3065

### **Write to us:**

Inspector General

P.O. Box 76654

Washington, DC 20013-6654



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